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Floor Statement of Senator Gregg on the President's Fiscal Year 2010 Budget
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(unofficial)

First, I want to begin by acknowledging my respect and appreciation for what this Administration has tried to do in the area of stabilizing the financial industry of this country. In conjunction with the Chairman of the Federal Reserve, Treasury Secretary Geithner, and Larry Summers, the special advisor to the President, along with obviously the input of Chairman Volcker have put together a very comprehensive effort to try to use the strength of the Federal Reserve and the federal government to basically inject liquidity into the system and put stability into the financial system of the country.

There has been a tremendous amount of commentary on this, and much of it has reflected a lack of confidence in the initiatives that have been brought forward by this Administration because in many instances they really haven't been as specific as they might have been.

But the general thrust of what the Administration has done in this area has been positive and I believe we're starting to see it work. The initial TARP dollars which were put in by the prior Administration did stabilize the banking industry during a critical time and that has been followed by additional TARP dollars from this Administration, followed by the initiatives from the Fed in the area, which is basically over $1 trillion of support for new loans in the area of consumer credit and, maybe, commercial real estate.

In the area of trying to do something in the mortgage area, initiatives have begun, using the FDIC and the Treasury and the Fed. In the area of basically underwriting the stability of major banking systems in the country, significant efforts have been made and we're now hearing that there's going to be an additional effort made to take toxic loans off the balance sheets of the banks using leverage from the private sector. This has been, in my opinion, the right way to go.

I didn't support the stimulus package because I thought it was unfocused and I don't think the dollars were used as effectively as they might have been. I wanted to see the dollars in the real estate area.

As a practical statement, on balance, the efforts of this Administration to try to stabilize the financial industry -- because stabilizing the financial industry is critical to getting the economy going -- have been positive, in my opinion. There is still a long way to go and there are more specifics that need to come and I guess that will come this week. But that initiative to try to get this economy going and to address the issue of people's concerns about their jobs, the value of their homes and their ability to live their lives in a constructive way in the face of severe financial distress which is caused by this recession, stands in juxtaposition to the budget they sent up. It is as if they have a yin and yang personality.

Because they have a group of ideas to get the economy going and stabilize the financial industry, the purpose of which is to lift the economy using the federal government, and then they sent us a budget which essentially creates a massive expansion in spending, a massive expansion in taxation, a massive expansion in borrowing not only in the short term when you can justify it, but as far as the eye can see, with a practical effect of having a dampening effect, throwing a wet blanket, on top of this country's productivity capabilities and this country's ability to be moving forward as an entrepreneurial society.

Look at the budget in specifics. The budget in the short run spikes the deficit dramatically. I'm not going to argue with that. That may be necessary, maybe not at these levels, but it is necessary to put liquidity in the market, and put liquidity into the American economy.

But then it continues to expand the size of government. 28% of GDP will be the size of the government this year. That's massive compared to our historical size of the government as part of the GDP. That's got to come down. It does come down, but it doesn't come down all that much. By the fifth, sixth, seventh year, we still have a high level of government spending as a percent of GDP. We have a deficit in the fourth year that is 3% to 4% of GDP.

The debt of the federal government, the public debt, is doubled in five years under this budget. It's tripled in ten years under this budget. Taxes are increased by $1.4 trillion under this budget, *$1.4 trillion*. What are those taxes used for? Not to reduce the deficit, but to expand the size of the government even further. Health care is essentially put on a track towards nationalization. Education loans are nationalized. Discretionary spending goes up by almost $750 billion.

And there's absolutely no restraint in any accounts of any significance on the spending side of the ledger in this budget. So that by the time we get to the fourth and fifth year of this budget, rather than seeing the numbers come down to something that is manageable for our society, rather than seeing the debt-to-GDP ratio come down to what might be a manageable number, it remains at a very high level, 67%. Historically, debt-to-GDP in this country has been about 40%. What does that mean? It means essentially instead of having a traditionally strong industrialized society where your debt is manageable at 40% of your GDP., you are heading towards a banana republic society or country where the debt-to-GDP ratio is 70%.

The deficit, they're saying that it's cut in half. If you increase the deficit four times and then you cut it in half, you really don't gain very much. That's like taking four steps backwards and only two steps forward. The practical effect of that is that we still end up with a deficit four or five years out well after we're passed this recessionary period, hopefully -- and I'm sure we will be passed it by then because we are a resilient nation -- a deficit which is still way above the historical norm for this country. A $712 billion deficit is projected by the year 2019 under this budget. 3% to 4% of GDP; that's not sustainable.

What's the practical effect of that? Well, the practical effect is that we give our kids a country they can't afford. We put on them a debt burden which basically stymies their ability to succeed and prosper.

In addition, you've got to look at the policies underlying this budget. What are the policies that are driving this massive expansion of government and this massive expansion of debt? Well, there are basically policies which say we're going to take the government and we're going to explode its role relative to private-sector activity.

There is a proposal in this budget, as I mentioned earlier, to nationalize the student loan program. That's certainly an unnecessary act. We had a very vibrant private-sector student loan program and a vibrant public-sector student loan program. There's no reason we can't have both. But that's no longer acceptable; we're going to nationalize the student loan program.

There's a $634 billion place holder in this budget for the expansion of health care. They say it is a "down payment." If it is a down payment, we're talking about health care expenditures exceeding $1 trillion under this budget. "Growth in health care costs." Well, health care already absorbs 17% of the GDP. That's about 5% higher than any other industrialized nation. "We don't have enough money," is really that we don't use it very well. To increase the dollars going into health care by those numbers means what you're proposing is essentially for the government to take over the entire health care system at some point in the future here. Another great expansion in the size of government.

Then you've got this expansion on the discretionary side of the account. Every discretionary program expanding except for where they play a gimmick claiming savings on spending that won't even occur. So the goal of this budget isn't to contain or to slow the rate of growth of government in the out-years after we're passed this recession. It's rather to explode the size of government as we move out of this recession and put in place a government that continues to grow at a rate which the economy can't afford and which our children can't afford.

How is this paid for, this expansion of government? Most of it is borrowed money. But some of it comes out of taxes. And there are major new taxes proposed here. We've all heard about the taxes on the wealthy. Let me point out some things. What's being proposed here is that if you make more than $250,000, your income is going to be nationalized. Well, there are a lot of wealthy people who make more than $250,000. But there are also a lot of small businesses in this country that make $250,000.

That's where jobs come from in this country, small business. The person running the local restaurant, the person running the local garage, the person who started a software company, the person who has initiated a new product, a new catalog maybe selling something. All these are small businesses and they're across this nation and they're what create jobs. When you say to those folks, well, we're just going to tax away whatever you make above a certain amount, $250,000, you're saying to them, they don't have the assets to reinvest in their small businesses. They're going to create a huge disincentive. This creates a huge disincentive for employees to be added to their businesses. So it throws a wet blanket on the expansion of small business.

And there's another tax in here that's not talked about too much. They call it a carbon tax. This is a massive new tax on everybody's electric bill. This should be described, to describe it fairly, as a national sales tax on electricity. If you use electricity for anything, in your home, if you use energy basically for anything -- and almost every American does; I can't think of any who do not -- you're going to be hit with a new tax, this carbon tax, this national sales tax on energy.

What does it amount to? It is not a small sum. It's scored in this budget as -- it's understated in this budget, but it's scored at I think $65 billion a year. That's still a lot of money by the way. But it's understated. According to the MIT study and according to the numbers which were being used last year when this was being discussed, the actual number is closer to $300 billion. $300 billion with annual brand-new tax burdens on the American consumer.

What is this tax used for? Well, it's used in large part for walking around money for various constituencies who have an interest in getting money from the federal government. It's not used to contain the federal government or to reduce its size by reducing the deficit. A large percentage of these tax revenues are going to be added to various initiatives around here which are the projects of members, worthwhile I'm sure, but it's pretty hard to justify hitting Americans with a brand-new national sales tax on their energy bills for the purposes of expanding this government.

Which is already too large to begin with and, remember, none of this expansion in the government takes into account the huge costs which we have coming at us which we don't know how we're going to handle. Those are the costs of the retirement of the Baby Boom generation. As they continue to retire and they have begun retiring now, it's going to generate massive costs for our government. We know we have $60 trillion just to pay for Medicare, Social Security, and Medicaid for the Baby Boom generation as it retires.

And why is that? Who knows what a trillion dollars is, but why is this out there and obligated? Because we created massive costs and we have the largest generation in America retiring that is going to push that cost onto our children. We go from 35 million retired to 70 million retired people. Most of that is going to occur by the end of this

President's term in office, should this President be re-elected. You would have thought in the budget they would have said, ‘oh, we better start addressing that issue, we better start disciplining ourselves relative to how we're going to handle this massive increase in spending’ -- I call it a fiscal tsunami – ‘as a result of the baby-boom generation retiring.’

But no, not one word in this budget about containing or slowing down or in any way addressing the issue of entitlement spending as a result of the retirement of the Baby Boom generation. And so the practical effect is that there's an elephant in the room that we know we're going to have to address relative to cost that isn't addressed, but at the same time the budget radically expands the size of government, using up resources that might have been used to address entitlement reform.

It's a budget which, if you look at it, essentially says to the productive and entrepreneurial side of our nation, we're going to tax you. We're going to regulate you and we're going to create an atmosphere where we're going to crowd out your ability to borrow money because the federal government is going to borrow so much money. It is simply an attack on the entrepreneurial elements of our society, the small business people that go out there and create jobs.

And that's why I said there's a conundrum here. On the one side this government is proposing all sorts of initiatives, which I agree with, to try to float the economy using the liquidity of the federal government in a lot of different areas but primarily focused on getting stability back in our financial system and helping people out who have mortgages that they can't pay. But, on the other side, you have this budget sent up here which is a clear and present attack essentially, on the productive side of our ledger as a nation while it expands radically the size of government.

And so you can understand why the stock market and others are saying, ‘whoa, what's happening here. Who am I to believe? The part of the Administration that says we're going to try to the economy going? Or the part that says once we get it going, we're going to stuff it down with a major new tax burden and a dramatic expansion in government?’

So much more could have been accomplished in this budget than what has been proposed. If it had come forward with any reasonable ideas in the area of disciplining and managing the entitlement accounts, there would have been strong bipartisan support for that. But none were put on the table. The opportunity to move forward in the area of Social Security was not taken. The opportunity to do something really significant in the area of Medicare was certainly not taken in this budget.

And the practical effect of that is that if you're looking at this budget and you're an investor from somewhere around the world buying American bonds -- remember, most of our debt today is being bought by people outside of the United States. They're basically funding or capacity as nation to function -- you're going to look at this budget, and you're going to say, ‘Do I really have confidence that the bonds I'm buying are going to have the value that I'm putting into them five or ten years from now? If I look at the budget, I’m going to conclude that the American government is not going to discipline itself. They're just going to continue to run a debt-to-GDP ratio that is not sustainable, that's going to run deficits that not sustainable and that, therefore, it's very likely that maybe my debt that I'm buying from the United States, the Treasury bonds I'm buying, aren't really going to be the value that I'm paying for them.'

And so this budget stifles the entrepreneurial spirit of America in the out-years and people, looking four or five years down the road, aren't thinking that far ahead now. In October, this budget repeals repeals many of the tax initiatives which create economic growth, and will tax people at a heavier rate. So it starts pretty soon. Not only does it stifle that entrepreneurial spirit of America, at the same time it is putting at risk the value of our currency and the value of our debt. Because it is saying to the world, we're not going to discipline ourselves in the out-years.

This Administration is proposing to raise taxes dramatically -- which is what they ran on and they are doing what they said -- but we presumed they would do what President Clinton did when he raised taxes dramatically, to reduce the deficit and with the Republican Congress that limited spending we were able to accomplish that.

This budget doesn't accomplish that. This budget takes $1.4 trillion in new taxes and spends it. On a massive expansion of the federal government in the area of health care, the area of the way we finance student loans and the different initiatives that are basically expanding government's role. And the practical effect of that is, I believe, to weaken the dollar and weaken our currency. That is very serious to us as a nation.

So I agree with those who say that the market is confused by this Administration. It's confused because on one hand, the Administration is pursuing what is a necessary policy to get liquidity into the market and stabilize the federal industry and stabilize the housing industry, but on the other hand it puts forward a budget which proposes probably the largest expansion of government in the history of this country, unpaid for, and, therefore, threatening the future of our children with debt that they can't possibly afford.

As we move forward in this effort, I suggest a better course of action would be for this Administration to come forward with some fiscal discipline. Why don't they propose, and why don't they bring forward some specific ideas which will address this, as I call it, "impending fiscal tsunami." There are bipartisan initiatives in the Senate to do that.

Senator Conrad and I have proposed a procedure which would allow us to put in place a process which would lead to policy, which would lead to a vote, which would actually limit and make affordable a large percentage of the out-year costs of entitlement programs as we try to fund the retirement of the Baby Boom generation. Take us up on this offer, it has guaranteed bipartisan support around here.

Why not take up an initiative to try to get the deficit and the debt back to the pre-recession levels. When we went into the recession the debt was 40% of GDP and debt was 1.5% of GDP. Let's get back to those numbers to reduce the deficit, not to expand the size of government. These are initiatives that you might, certainly on the first point, you would get a lot of Republican support for. And there might even be support of the second idea of getting the deficit down. I would support that, getting the debt down.

But proposals put forward now are confusing. Not only are they confusing but if they are put in place they would put our country in a very serious situation as our children try to lead their lives and move forward in a nation which gives them an opportunity for prosperity. I yield the floor.

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